

**BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA**

**DOCKET NO. 2001-410-G**

In the Matter Of	)	
	)	
Application of Piedmont Natural Gas	)	<b><u>PETITION</u></b>
Company, Inc. for Approval of Modification	)	
of Its Experimental Hedging Plan	)	

Piedmont Natural Gas Company, Inc. ("Piedmont"), through counsel, hereby requests approval by the Public Service Commission of South Carolina ("Commission"), to be effective October 1, 2009, of a limited modification to Piedmont's approved Experimental Natural Gas Hedging Program ("Hedging Program" or "Plan"). The limited modification of Piedmont's Plan sought in this proceeding relates to the percentage of Piedmont's normalized annual sales volumes that can be hedged under Piedmont's Plan during any twelve month period. Specifically, Piedmont seeks Commission authorization to reduce the range of its annual sales volumes that can be hedged under the Plan from a range of 30% to 60% of annual sales volumes to a range of 22.5% to 45% of annual sales volumes. In support of this request, Piedmont respectfully shows unto the Commission as follows:

1. Any notices or other communications with respect to this Petition should be sent to:

Jane Lewis-Raymond  
Vice President and General Counsel  
Piedmont Natural Gas Company, Inc.  
P.O. Box 33068  
Charlotte, NC 28233  
Telephone: (704) 364-4261

And

Scott M. Tyler  
Moore & Van Allen, PLLC  
100 N. Tryon Street, Suite 4700  
Charlotte, North Carolina 28202-4003  
Telephone: (704) 331-1000

2. Piedmont is incorporated under the laws of the state of North Carolina and is duly authorized by its Articles of Incorporation to engage in the business of transporting, distributing and selling natural gas. It is duly domesticated and is engaged in conducting the business above-mentioned in the states of South Carolina, North Carolina and Tennessee. Piedmont is a public utility under the laws of this State, and its public utility operations in South Carolina are subject to the jurisdiction of this Commission.

3. In Order No. 2002-223, issued on March 26, 2002, this Commission approved Piedmont's Experimental Natural Gas Hedging Program pursuant to which Piedmont was authorized to engage in certain natural gas hedging transactions in order to attempt to help stabilize the prices of natural gas paid by South Carolina customers served by Piedmont. Piedmont's Plan, as approved by the Commission, is non-speculative in nature leaving only very limited discretion to the Company in its operation, primarily in the area of what type of approved financial instrument is utilized in certain circumstances to hedge. The Plan limits the amount of Piedmont's gas supplies that can be hedged to up to 60% of normalized annual sales volumes and specifies the types of hedging instruments that can be utilized in various circumstances.

4. Since the issuance of Order No. 2002-223, Piedmont has requested minor modification of its Hedging Program on several occasions, most recently requesting a reduction in the hedging horizon under its plan from 24 to 12 months in order to reduce ratepayer risk under the Plan and to increase efficiency of Piedmont's actual hedging transactions. These modifications to the Plan were approved by the Commission in each instance and Piedmont has operated in conformance with its modified Plan.

5. Following last year's dramatic and unexpected price inversion and prevailing reductions in wholesale gas prices which resulted from newfound supply reserves and a national economy in recession, Piedmont has reassessed its Hedging Program and determined that it is appropriate to reduce the percentage quantity of supplies hedged under its Plan for the foreseeable future.

6. Piedmont's decision in this regard is the result of its assessment that the risk of large and unexpected "fly-ups" in the wholesale costs of natural gas are lower now that wholesale gas costs are in the very low end of historic pricing with no immediately foreseeable shortage of supplies and, accordingly, the risk-reward balance between the costs incurred to make hedges and the potential benefits to Piedmont's South Carolina customers has changed somewhat.

7. Piedmont's proposed change to its Plan is straightforward: it proposes to reduce the range of hedged volumes from 30% to 60% of annual sales volumes to 22.5% to 45%. This change will reduce the costs to South Carolina customers of engaging in hedging but will also maintain a significant degree of protection against unexpected spikes or increases in prices.

8. Piedmont's Energy Price Risk Management Committee ("EPRMC"), which supervises activity under the Plan, has approved the proposed modification to the hedging plan requested herein.

9. Piedmont intends to apply the changes proposed herein on a prospective basis beginning on October 1, 2009 but does not propose to apply the changes to its range of hedgable volumes retroactively. Accordingly, all hedging positions taken by Piedmont as of September 30, 2009 will remain in place.

10. Piedmont submits that the Plan modification proposed herein is in the public interest for the reasons set forth above and requests approval for such Plan modification to be effective for hedges entered into on and after October 1, 2009. Piedmont's customers will not

be harmed by this approach inasmuch as the Commission will either approve the change requested herein, in which case Piedmont's hedging activities will be consistent with such approval, or the Commission will deny the relief requested herein, in which case Piedmont can simply purchase additional futures positions to bring the quantity of hedged volumes under its Plan up to the 30% to 60% level.

WHEREFORE, Piedmont Natural Gas Company, Inc. respectfully requests that the Commission grant authorization for Piedmont to implement the modification to its Experimental Natural Gas Hedging Program described above to be effective as of October 1, 2009.

Respectfully submitted, this the 1st day of October, 2009.

**PIEDMONT NATURAL GAS COMPANY, INC.**

s/ Scott M. Tyler  
Scott M. Tyler

OF COUNSEL:

Moore & Van Allen PLLC  
100 N. Tryon Street, Suite 4700  
Charlotte, North Carolina 28202-4003  
Telephone: (704) 331-1000

## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached *Petition* is being served this date via email and UPS Overnight (5 copies) upon:

Florence P. Belser  
Office of Regulatory Staff  
1401 Main Street  
Suite 900  
Columbia, South Carolina 29201  
fbelser@regstaff.sc.gov

And that a copy of the attached *Petition* is being served this date via email and U.S. Mail upon:

David Carpenter  
Managing Director Regulatory Affairs  
Piedmont Natural Gas Company, Inc.  
P.O. Box 33068  
Charlotte, North Carolina 28233  
david.carpenter@piedmontng.com

Pia Powers  
Manager, Regulatory Affairs  
Piedmont Natural Gas Company, Inc.  
P.O. Box 33068  
Charlotte, North Carolina 28233  
pia.powers@piedmontng.com

This the 1st day of October, 2009.

s/ Scott M. Tyler  
Scott M. Tyler